

1994 Annual Report

Corporate Information

Board of Directors

Chris C. Abbott

Calgary, Alberta

Wolfgang Koch

Calgary, Alberta

A. Iris Branton

Calgary, Alberta

David B. Walling

Calgary, Alberta

S. Brian Gieni

Calgary, Alberta

Eric J. Allen

Calgary, Alberta

Leslie A. Smith

Calgary, Alberta

Michael W. Mudie

Calgary, Alberta

Officers

Chris C. Abbott – President & C.E.O.

Wolfgang Koch – Vice President of Finance

A. Iris Branton – Corporate Secretary

David B. Walling – Vice President, Special Projects

Table of Contents

Report to Our Shareholders	1
Mineral Exploration	2
Auditors' Report.	7
1994 Financial Statements	8
Notes to Financial Statements	10

Head Office

#640, 910 - 7th Avenue S.W.

Calgary, Alberta

T2P 3N8

Telephone: (403) 261-9770

Fax: (403) 261-9772

Registrar and Transfer Agent

Montreal Trust

Calgary, Alberta

Auditors

Hudson & Company

Calgary, Alberta

Solicitors

Mudie Proulx

Calgary, Alberta

Bankers

The Royal Bank of Canada

Calgary, Alberta

Stock Listing

The Alberta Stock Exchange

Calgary, Alberta

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held on May 31, 1995, at the Sandman Hotel, 888 Seventh Avenue S.W., Calgary, Alberta, at 10:00 a.m. All Shareholders are encouraged to attend, however, if unable to do so, Shareholders are requested to complete, sign and return to the Company the enclosed form of proxy.

Report to Our Shareholders

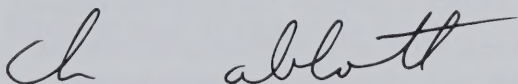
Focal has just completed their most active year ever. The Company raised \$2.6 million in the equity market for land acquisition and mineral exploration in Northeast Alberta.

A successful mineral land acquisition and exploration program was carried out during 1994 in the Northeast Alberta gold exploration region. This has established Focal as a leader in exploration for gold in this area. In addition to the regional gold exploration work, Focal participated in Government and Industry joint studies which evaluated analytic methods on samples from Northeast Alberta. The analytic work contributed to a better understanding of the distribution of values in the limestones, tills and sediments in the region and confirms the existence of very high regional values for gold and platinum.

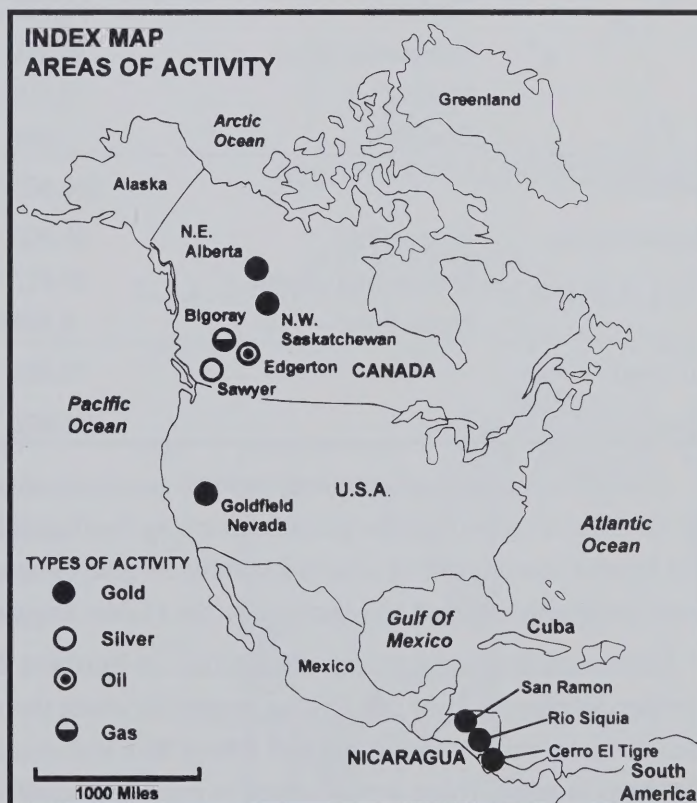
In other areas, Focal has acquired mineral properties in British Columbia for silver, lead and zinc, and in Nicaragua, Central America, for gold. Nicaragua, still in a post-war economy, offers particular opportunities for future growth. Once the largest gold producer in Central America, Nicaragua has excellent gold prospects and moderate land acquisition costs. The Company has established a large land base in geologically favorable areas.

In addition to the mining sector, Focal maintains their interest in hydrocarbon production in order to provide the widest possible scope of opportunity for our Shareholders. In the oil and gas sector, Focal is completing evaluations of existing properties and is positioning the Company for significant acquisitions of producing oil and gas properties during 1995. These will provide the Company with a steady cash flow and properties on which to expand oil and gas operations.

Submitted on behalf of
the Board of Directors



Chris C. Abbott
President & C.E.O.



Mineral Exploration

Northeast Alberta Gold Program

During 1994, Focal concentrated precious metals exploration activities on the gold trend in Northeast Alberta and Northwest Saskatchewan. Exploration in this trend was pioneered by Focal in 1993. Land acquisition was centered around gold occurrences and along the Devonian salt dissolution edge. Focal acquired properties totalling nearly 600,000 hectares (1.5 million acres) and carried out mineral exploration over much of the area.

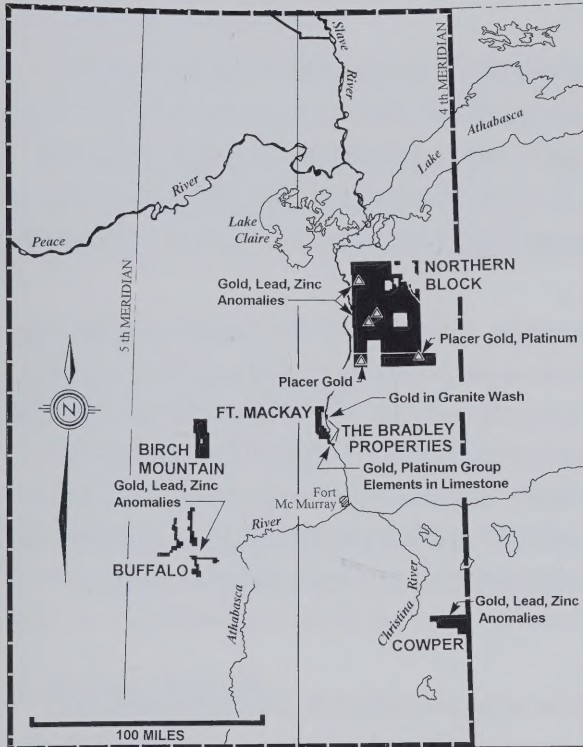
NORTHEAST ALBERTA AND NORTHWEST SASKATCHEWAN GOLD PROPERTIES

Area	Property	Hectares	Acres	Status
Alberta	Northern Block	271,697	679,242	Active
	Ft. MacKay	14,974	37,435	Active
	Birch Mountain	27,552	68,880	Active
	Buffalo	27,658	69,145	Active
	Cowper	29,952	74,880	Active
	Christina	92,160	230,400	Dropped
	Marguerite River	36,864	92,160	Active
	Firebag	9,216	23,040	Active
	Bradleys	894	2,235	Active
Subtotal		510,967	1,277,417	
Saskatchewan	Beacon Hill	30,950	77,375	Active
	Frenchman's Butte	39,627	99,068	Active
	Battle River	3,108	7,770	Active
Subtotal		73,685	184,213	
Total		584,652	1,461,630	

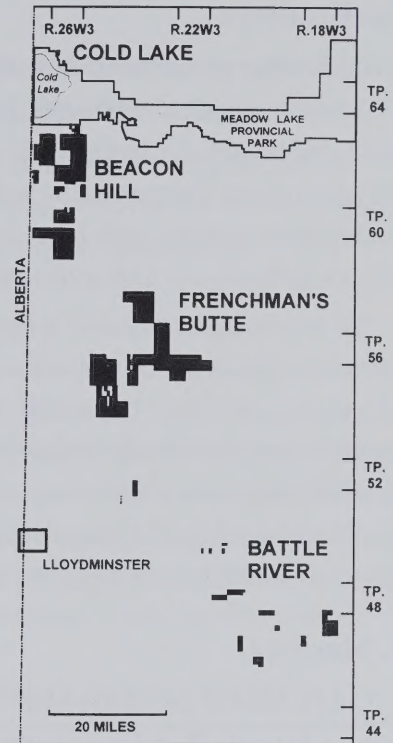
Geologic mapping and sampling, regional geochemical testing and analytic testwork were carried out on the Alberta properties. The geologic mapping confirmed fine visible gold at Central and South Bradley and located a number of structures favorable for gold mineralization on Focal's properties. Outcrops were extensively mapped and sampled on the Ft. MacKay and Bradley properties.

Geochemical sampling was conducted on the Northern Block, Buffalo, Birch Mountain, Christina, Cowper, Marguerite River and Firebag properties where there is a lack of outcrop. The materials sampled included lake, stream, spring and well waters, lake and stream sediments, soils and biological (tree and peat bog) samples. These were analyzed to determine areas with anomalous values of gold and other elements.

NORTHEAST ALBERTA AND NORTHWEST SASKATCHEWAN



NORTHEAST ALBERTA



NORTHWEST SASKATCHEWAN

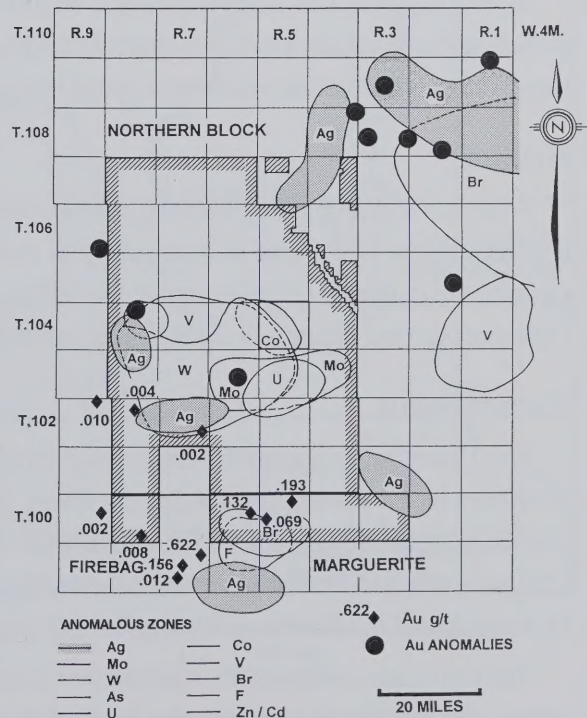
Northern Block

Geochem sampling has identified two areas with anomalous values in gold and indicator metals, each several kilometres in length and width. These areas overlie thin Devonian limestone and are in a structurally complex environment. With exceptional gold geochem values of up to 340 parts per billion, these prospects warrant additional testing, planned for the 1995 summer season.

Firebag and Marguerite River

Stream sediment samples were collected from the rivers and the heavy mineral fraction concentrated and analyzed. Results indicate significant gold and platinum values from a wide area on these properties. This anomalous area will be subjected to additional sampling during the 1995 summer program.

NORTHERN BLOCK G.S.C. REGIONAL GEOCHEM ANOMALIES



The Bradleys

The Bradley properties (North, Central and South) provided both the historic (1921) and modern (1993) results which identified the Northeast Alberta gold play. In 1921, the original well, Athabasca No. 1, found visible gold at a depth of 273 metres. An assay from this interval (thickness uncertain) reportedly assayed 8 ounces per tonne. The well is located near the North Bradley property. Samples from South Bradley were tested in 1986. More recently, drill core samples and surface samples from Central Bradley indicate anomalously high gold and platinum values.

The 1994 program involved a significant amount of mapping, sampling and analyses of the rocks from Central and South Bradley. Samples were analyzed for precious metal content as well as for base metals and other constituents. The results of this work indicate that gold and platinum values in the rocks can be measured by commercially available methods, including fire assay. Anomalously high gold and platinum values were detected in many samples. Additional exploration work is required to correlate these values with specific geological features. Mapping indicates the presence of faults and stratigraphic studies show distinct depositional environments for the Devonian limestones which host the anomalous values.

Ft. MacKay

The Ft. MacKay property lies across the Athabasca River to the west of the Bradley properties. This property consists of 14,974 hectares with a considerable amount of Devonian limestone exposures in the southern part of the property. This has been sampled extensively and these rocks will be analyzed in the near future. Geologic mapping has identified a number of salt solution related structures which will warrant additional testing.

Anomalous zinc and lead values occur in geochemical samples from several of the properties including the Northern Block, Cowper, Birch Mountain and, in particular, the Buffalo properties. Geochemical exploration will be continued over some of these anomalies.

Drilling

Focal has acquired core from 27 drill holes from the Northern Block and have sampled 13 drill holes, containing over 215 metres of Devonian core, from which we have collected over 250 samples. These samples are currently being analyzed. In addition, core from the Bradleys, which represents the entire Devonian section of interest, is also being sampled and will be completed within the first half of 1995.

Future Focus

Focal intends to concentrate exploration on those areas with anomalous geochemistry values (Northern Block, Firebag and Marguerite River), those areas with favorable structural features (Northern), and those areas with known gold mineralization (Bradleys, Firebag, Marguerite River). In this regard, the Company plans additional geochemical sampling on the Northern Block, continued structural studies at Ft. MacKay and the Northern Block and a drill program at North Bradley and Ft. MacKay.

The Company continues to examine new properties in the region as they become available; those which offer significant opportunities for exploration will be acquired.

Oil and Gas Interests

Focal has interests in two properties in Alberta, at Bigoray and Edgerton. These are currently shut-in and suspended, pending engineering evaluations to determine future production capability.

The Company plans to acquire producing properties which have additional drill targets. Staff are currently evaluating two major purchases and several smaller acquisitions which fit the overall strategy. A significant, continual and growing cash flow is expected to occur from these acquisitions.

NEW PROPERTIES

Sawyer Silver Property

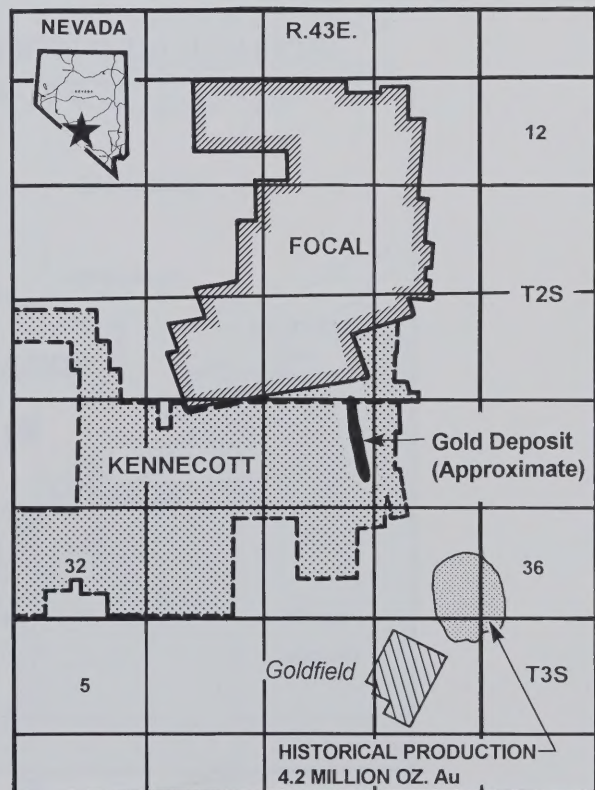
Focal has an option to acquire a 100% interest in the Sawyer silver-lead-zinc property, consisting of 415 hectares (1,040 acres), located 35 kilometres west of Kimberley, B.C. and 20 kilometres east of the Bluebell Mine. Surface samples indicate Sullivan type mineralization, with grades up to 3% lead, 10% zinc and 4 ounces silver per tonne. Our exploration plans provide an exciting opportunity to discover a Sullivan or Bluebell type ore body. Focal will carry out the initial exploration during the 1995 season.

Goldfield, Nevada

The Goldfield mining camp was the largest in Nevada during 1908 and is receiving considerable current interest. Kennecott Exploration Company recently discovered a significant gold deposit about 3 miles northwest of the main area of historic mining activity.

The Focal Goldfield interests consist of a group of claims containing a total of 1,372 hectares (3,430 acres). Focal has a 33-1/3% interest and is the operator of the project. The Goldfield property lies adjacent to and on strike with the newly discovered Kennecott gold deposit. Focal has completed geologic mapping and reconnaissance geophysics, which indicates favorable structures on our property.

GOLDFIELD, NEVADA PROSPECT



Nicaragua

Nicaragua has been the principal gold mining country in Central America, with maximum annual production of 330,000 ounces in 1945. The area is once more becoming very active. Focal has filed applications for three gold and other metals exploration concessions in the main gold production areas of Nicaragua. Approval of two of these concessions is expected within the second quarter of 1995. The acreage of these concessions is:

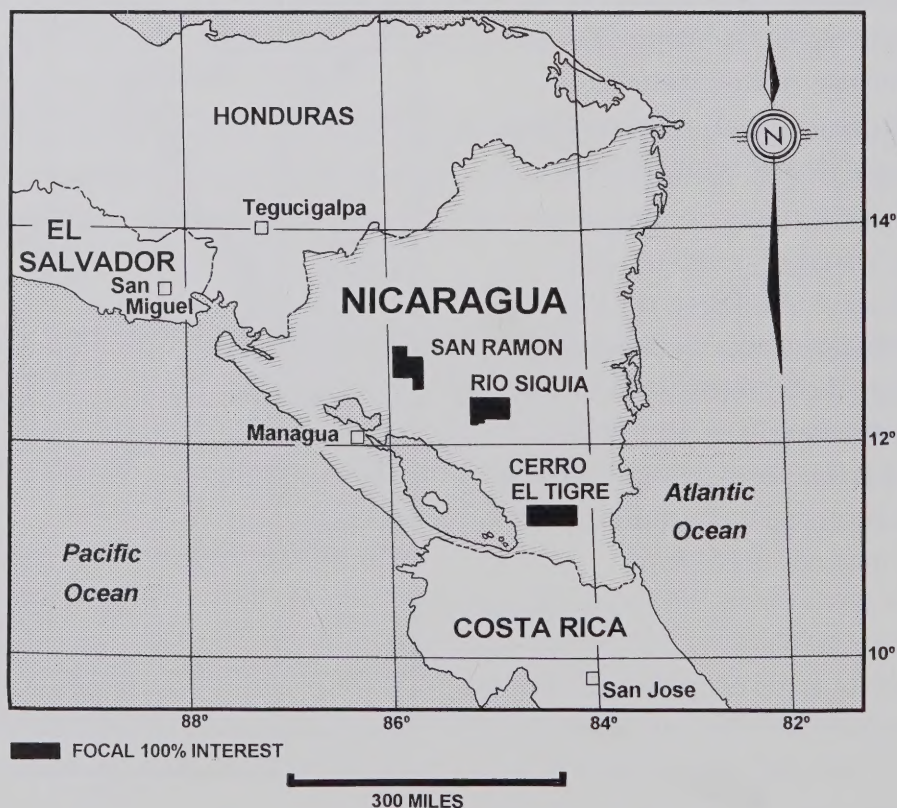
Rio Siquia	88,900 hectares	222,250 acres
San Ramon	82,000 hectares	205,000 acres
Cerro el Tigre	85,000 hectares	212,500 acres

Rio Siquia lies just to the north of an area with an active mine which produced 20,000 ounces of gold and is adjacent to a recent gold strike. This property offers considerable opportunity for both open pit and underground mining.

The San Ramon property lies in an area with excellent access and a number of historic gold mines. These mines extracted gold from quartz veins.

Cerro el Tigre is in an area in which Barrick Gold and Placer Dome have made recent discoveries of Late Tertiary gold deposition.

NICARAGUA GOLD PROPERTIES, CENTRAL AMERICA



Auditors' Report

To the Shareholders of Focal Resources Limited

We have audited the balance sheet of **Focal Resources Limited** as at December 31, 1994 and December 31, 1993 and the statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and December 31, 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
February 7, 1995



HUDSON & COMPANY
Chartered Accountants

Balance Sheet

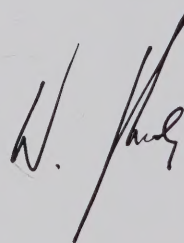
As at December 31

	1994	1993
Assets		
CURRENT		
Cash and term deposits	\$ 670,177	\$ 9,206
Accounts receivable	41,186	50,122
Petroleum and natural gas deposit (Note 3)	—	163,308
Loans receivable (Note 2)	39,138	25,047
Prepaid expenses	14,587	—
	765,088	247,683
CAPITAL ASSETS (Note 4)	3,393,690	1,401,673
	\$4,158,778	\$1,649,356
Liabilities		
CURRENT		
Accounts payable	\$ 95,837	\$ 71,266
Loan payable (Note 2)	—	58,000
	95,837	129,266
CONTINGENT LIABILITY AND COMMITMENTS (Note 5)		
Shareholders' Equity		
SHARE CAPITAL (Note 6)	4,785,040	2,006,767
RETAINED EARNINGS (DEFICIT)	(722,099)	(486,677)
	4,062,941	1,520,090
	\$4,158,778	\$1,649,356

Approved on behalf of the Board:



Director



Director

Statement of Earnings and Retained Earnings

For the Year Ended December 31

	1994	1993
REVENUE		
Petroleum and natural gas	\$ 68,696	\$ 107,893
Other	44,777	—
	113,473	107,893
EXPENSES		
Depletion and depreciation	29,821	60,196
General and administrative	5,885	38,653
Operating	55,577	58,137
Royalties	13,055	26,169
Write off of petroleum and natural gas properties deposit (Note 3)	244,557	—
	348,895	183,155
NET EARNINGS (LOSS)	(235,422)	(75,262)
RETAINED EARNINGS (DEFICIT), beginning of year	(486,677)	(411,415)
RETAINED EARNINGS (DEFICIT), end of year	\$(722,099)	\$(486,677)
EARNINGS (LOSS) PER COMMON SHARE (Note 7)	\$ (0.25)	\$ (.011)

Statement of Changes in Financial Position

For the Year Ended December 31

	1994	1993
OPERATING ACTIVITIES		
Net earnings (loss)	\$ (235,422)	\$ (75,262)
Items not affecting cash		
Depletion and depreciation	29,821	60,196
Write off of petroleum and natural gas properties deposit	244,557	—
	38,956	(15,066)
Net change in non-cash working capital balances	18,920	28,655
	57,876	13,589
FINANCING ACTIVITIES		
Issuance of share capital	2,778,273	1,491,420
Loan receivable advances	(14,091)	(6,268)
Loan payable advances (repayments)	(58,000)	58,000
	2,706,182	1,543,152
INVESTING ACTIVITIES		
Additions to petroleum and natural gas properties	(34,126)	(3,008)
Deposit on acquisition of petroleum and natural gas properties	(81,250)	(163,308)
Additions to mining properties and equipment	(1,912,266)	(1,385,173)
Additions to office equipment and computer hardware and software	(75,445)	—
	(2,103,087)	(1,551,489)
INCREASE IN CASH	660,971	5,252
CASH POSITION, beginning of year	9,206	3,954
CASH POSITION, end of year	\$ 670,177	\$ 9,206

Notes to Financial Statements

December 31, 1994

1. Significant Accounting Policies

The financial statements have been prepared by management and approved by the Board of Directors.

Going Concern

The financial statements of the Company have been prepared in accordance with generally accepted accounting policies on a going concern basis under which the Company will be able to realize assets and discharge liabilities in the normal course of business. If the Company is unable to continue as a going concern, the amounts realized on disposal of its assets may be substantially less than their recorded amounts.

Properties and Equipment

a) Capitalized Costs

Mining properties are in the pre-production phase. All costs of exploration for and development of mining reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenses, lease rentals on undeveloped properties and technical consulting costs directly related to exploration and development. General administration costs directly related to exploration and development are capitalized and, for the year ended December 31, 1994, amounted to \$434,380 (1993 – \$72,880). The carrying value of mining properties is compared to an appraised value of these properties and should this comparison indicate an excess carrying value, a write-off would be recorded.

The Company follows the full cost method of accounting for petroleum and natural gas properties in accordance with the Accounting Guideline for full cost accounting published by the Canadian Institute of Chartered Accountants. All costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include acquisition costs, lease rentals and costs of drilling both productive and non-productive properties. No general and administrative costs relating to petroleum and natural gas properties have been capitalized for the years ended December 31, 1994 or December 31, 1993.

All of the petroleum and natural gas exploration and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

b) Depreciation and Depletion

The mining properties are in the pre-production stage and are not producing at the present time. No depletion has been reflected in these properties. When production commences, depletion on the mining properties will be calculated on the unit-of-production method and based upon estimated proven reserves as determined by the Company and independent engineers.

Depreciation is provided on capital assets on a declining balance basis at the following annual rates:

Office furniture and equipment	20%
Computer hardware	30%
Computer software	100%

2. Related Party Transactions

During the year, the Company repaid a loan of \$58,000 to two Directors of the Company plus interest at 8% per annum.

During the year, two Directors of the Company were loaned \$39,138 to exercise certain stock options. These loans are non-interest bearing.

During the year, the Company paid \$360,000 in consulting fees to companies owned by Directors of the Company. During the year, the Company paid geological, mining and engineering fees of \$205,088 to a company owned by two Directors of the Company.

During the year, the Directors of the Company received \$6,600 in Directors' fees.

During the year, the Company paid \$5,992 in consulting fees to a Director and \$1,484 in consulting fees to a company owned by the Director.

3. Petroleum and Natural Gas Properties Deposit

The Company issued 100,000 shares and paid \$154,557 in cash which was to be applied towards the acquisition of petroleum and natural gas properties. The parties did not arrive at an agreement and therefore the amount was written off.

4. Capital Assets

	1994		1993	
	Cost	Accumulated Depletion and Depreciation	Net Book Value	Net Book Value
Office equipment	\$ 32,495	\$ 3,249	\$ 29,246	\$ —
Petroleum and natural gas properties and lease and well equipment	162,801	128,675	34,126	16,500
Mining properties and equipment	3,297,439	—	3,297,439	1,385,173
Computer hardware	32,581	4,887	27,694	—
Computer software	10,369	5,184	5,185	—
	\$3,535,685	\$141,995	\$3,393,690	\$1,401,673

5. Contingent Liability and Commitments

Contingent Liability

Costs of Abandonments and Site Restorations

Estimated costs of abandonments and site restorations for petroleum and natural gas properties and lease and well equipment, net of salvage values, should be provided for on a unit-of-production basis. The Company has determined that no provisions are required at December 31, 1994 as salvage values are estimated to exceed estimated cost of abandonments and site restorations. The Company will record amounts related to abandonments and site restorations that exceed the salvage value of properties, if any, in the period in which the abandonments or site restorations occur.

Rental Agreement

Rental Agreement

The minimum rentals payable under long-term operating leases, exclusive of certain operating costs for which the Company is responsible, are as follows:

1995	\$5,864
1996	5,864
1997	2,932

Automotive Lease Agreement

The Company entered into an automotive lease agreement during 1994 which expires at June 30, 1995. The required lease payments are \$616 per month.

6. Share Capital

Authorized

Unlimited number of voting common shares without nominal or par value

Unlimited number of Class A non-voting preferred shares

Unlimited number of Class B non-voting preferred shares

	1994		1993	
Issued	Voting Common Shares	Cash	Voting Common Shares	Cash
For cash	4,725,890	\$2,760,973	3,007,915	\$ 213,400
For properties	5,011,989	2,024,067	4,781,989	1,793,367
	9,737,879	\$4,785,040	7,789,904	\$2,006,767

Four Directors of the Company control 489253 Alberta Ltd. which owns or controls 3,095,154 voting common shares of the Company.

Directors and related companies at December 31, 1994, held 4,349,547 voting common shares.

During the year, the Company granted options to certain parties to purchase 775,000 voting common shares at \$0.50 per common share expiring in January 1998. Options for 78,275 shares were exercised during the year and options of 112,375 expired with the retirement of a Director.

The Company has granted warrants to 489253 Alberta Ltd. to purchase the following:

- a) 269,850 voting common shares exercisable at \$1.35 expiring on April 11, 1995.
- b) 500,000 voting common shares exercisable at \$2.20 expiring on April 20, 1995.

7. Earnings Per Share

The calculation of earnings per share is based on the weighted average number of shares outstanding. Fully diluted figures have not been presented as the dilution factors are antidilutive.

8. Income Taxes

The Company has non-capital income tax loss carry forwards of approximately \$821,139 to apply against future years' taxable income. These non-capital income tax loss carry forwards expire as follows:

1995	\$ 12,734
1998	24,397
1999	34,181
2000	248,430
2001	501,397
	<u>\$821,139</u>

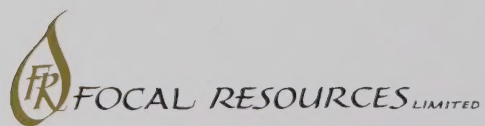
The Company has the following estimated balances available to be claimed against future taxable income:

Canadian Oil and Gas Property Expense	\$ 10,830
Canadian Development Expense	\$ 560,603
Canadian Exploration Expense	\$2,266,034
Foreign Exploration and Development Expense	\$ 38,779

The Company has not recorded any possible future income tax savings which could result from the use of the above balances.

9. Comparative Figures

Certain changes have been made to the comparative figures to correspond with current year presentation.



FOCAL RESOURCES LIMITED

640, 910 - 7th Avenue S.W.
Calgary, Alberta T2P 3N8